

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): January 31, 2019

PARKER-HANNIFIN CORPORATION

(Exact Name of Registrant as Specified in Charter)

Ohio (State or other jurisdiction of Incorporation or Organization)	1-4982 (Commission File Number)	34-0451060 (I.R.S. Employer Identification No.)
6035 Parkland Boulevard, Cleveland, Ohio (Address of Principal Executive Offices)		44124-4141 (Zip Code)

Registrant's telephone number, including area code: **(216) 896-3000**

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On January 31, 2019, Parker-Hannifin Corporation issued a press release and presented a Webcast announcing results of operations for the quarter ended December 31, 2018. A copy of the press release is furnished as Exhibit 99.1 to this report. A copy of the Webcast presentation is furnished as Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits:

[99.1 Press release issued by Parker-Hannifin Corporation, dated January 31, 2019.](#)

[99.2 Webcast presentation by Parker-Hannifin Corporation, dated January 31, 2019.](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PARKER-HANNIFIN CORPORATION

By: /s/ Catherine A. Suever

Catherine A. Suever

Executive Vice President - Finance &

Administration and Chief Financial Officer

Date: January 31, 2019



Exhibit 99.1

For Release: Immediately

Contact: **Media -**
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Financial Analysts -
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Stock symbol: PH - NYSE

Parker Reports Fiscal 2019 Second Quarter Results

- *Sales increased 3% to second quarter record \$3.47 billion; organic sales increased 6%*
- *As reported EPS were \$2.36, or \$2.51 adjusted*
- *Total segment operating margins were a second quarter record at 16.4%*
- *Adjusted total segment operating margins were 16.6%, a 170 bps year-over-year improvement*
- *EBITDA margins were 17.0%, or 17.2% adjusted*
- *Company increases fiscal 2019 full year EPS guidance*

CLEVELAND, January 31, 2019 -- Parker Hannifin Corporation (NYSE: PH), the global leader in motion and control technologies, today reported results for the fiscal 2019 second quarter ended December 31, 2018. Fiscal 2019 second quarter sales increased 3% to \$3.47 billion compared with \$3.37 billion in the prior year quarter. Net income was \$311.7 million compared with \$56.2 million in the fiscal 2018 second quarter. Fiscal 2019 second quarter earnings per share were a second quarter record at \$2.36, compared with \$0.41 in the prior year quarter. Adjusted earnings per share were \$2.51, compared with adjusted earnings per share of \$2.15 in the prior year quarter. Fiscal 2019 second quarter earnings included an \$0.11 per share adjustment to income tax expense related to U.S. Tax Reform. Cash flow from operations for the first half of fiscal 2019 was \$541.0 million or 7.8% of sales, compared with \$456.8 million or 6.8% of sales in the prior year period. Excluding a discretionary pension contribution in fiscal 2019, cash flow from operations for the first half of fiscal 2019 was 10.7% of sales. A reconciliation of non-GAAP measures is included in the financial tables of this press release.

"This was a strong quarter as The Win Strategy™ drove organic sales growth of 6% and second quarter records for sales, total segment operating margins, net income, and EPS," said Chairman and Chief

Executive Officer, Tom Williams. "Our teams exceeded expectations, achieving 16.4% total segment operating margins and increased operating cash flow as compared to the prior year period. During the quarter, we deployed capital to repurchase \$500 million worth of Parker shares. We remain on track to deliver record earnings in fiscal year 2019."

Second Quarter Fiscal 2019 Segment Results

Diversified Industrial Segment: North American second quarter sales increased 4% to \$1.6 billion and operating income increased 14% to \$257.8 million, compared with \$225.8 million in the same period a year ago. International second quarter sales decreased 3% to \$1.2 billion and operating income increased 15% to \$189.1 million, compared with \$164.8 million in the same period a year ago.

Aerospace Systems Segment: Second quarter sales increased 12% to \$616.3 million, compared with \$549.7 million in the prior year period and operating income increased 39% to \$121.5 million, compared with \$87.1 million in the same period a year ago.

Parker reported the following orders for the quarter ending December 31, 2018, compared with the same quarter a year ago:

- Orders increased 1% for total Parker
- Orders were flat in the Diversified Industrial North America businesses
- Orders decreased 2% in the Diversified Industrial International businesses
- Orders increased 10% in the Aerospace Systems Segment on a rolling 12-month average basis

Outlook

For the fiscal year ending June 30, 2019, the company has increased guidance for earnings from continuing operations to the range of \$11.04 to \$11.54 per share, or \$11.35 to \$11.85 per share on an adjusted basis. Fiscal year 2019 guidance is adjusted on a pre-tax basis for expected business realignment expenses of approximately \$19 million and CLARCOR costs to achieve of approximately \$16 million and an income tax expense adjustment of \$14 million related to U.S. Tax Reform. Guidance assumes organic sales growth in the range of 2.0% to 4.0%.

Williams added, "Our Win Strategy execution positions us to deliver strong profitability and record earnings in fiscal 2019, despite signs of moderating end market demand and the impact of a stronger U.S. dollar. Completing a record year in fiscal 2019, and ongoing initiatives guided by the Win Strategy, solidifies our confidence in achieving our fiscal 2023 five-year performance goals."

NOTICE OF CONFERENCE CALL: Parker Hannifin's conference call and slide presentation to discuss its fiscal 2019 second quarter results are available to all interested parties via live webcast today at 11:00

a.m. ET, on the company's investor information web site at www.phstock.com. To access the call, click on the "Live Webcast" link. From this link, users also may complete a pre-call system test. A replay of the webcast will be accessible on Parker's investor relations website, www.phstock.com, approximately one hour after the completion of the call, and will remain available for one year. To register for e-mail notification of future events and information available from Parker please visit www.phstock.com.

Parker Hannifin is a Fortune 250 global leader in motion and control technologies. For more than 100 years the company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets. Parker has increased its annual dividend per share paid to shareholders for 62 consecutive fiscal years, among the top five longest-running dividend-increase records in the S&P 500 index. Learn more at www.parker.com or [@parkerhannifin](https://twitter.com/parkerhannifin).

Note on Orders

Orders provide near-term perspective on the company's outlook, particularly when viewed in the context of prior and future quarterly order rates. However, orders are not in themselves an indication of future performance. All comparisons are at constant currency exchange rates, with the prior year restated to the current-year rates. All exclude acquisitions until they can be reflected in both the numerator and denominator. Aerospace comparisons are rolling 12-month average computations. The total Parker orders number is derived from a weighted average of the year-over-year quarterly % change in orders for Diversified Industrial North America and Diversified Industrial International, and the year-over-year 12-month rolling average of orders for the Aerospace Systems Segment.

Note on Net Income

Net Income referenced in this press release is equal to net income attributable to common shareholders.

Note on Non-GAAP Numbers

This press release contains references to (a) earnings per share without the effect of business realignment charges, CLARCOR costs to achieve, gain (loss) on sale and writedown of assets, net and U.S. Tax Reform one-time impact, net, (b) segment operating margins without the effect of business realignment charges and CLARCOR costs to achieve; (c) the effect of business realignment charges, CLARCOR costs to achieve and U.S. Tax Reform income tax expense adjustment on forecasted earnings from continuing operations per share; (d) and cash flows from operations without the effect of discretionary pension contributions. The effects of business realignment charges, CLARCOR costs to achieve, gain (loss) on sales and writedown of asset, net, U.S. Tax Reform one-time impact, net and discretionary pension contributions are removed to allow investors and the company to meaningfully evaluate changes in earnings per share, segment operating margins and cash flows from operations on a comparable basis from period to period. This press release also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, and gain (loss) on sale and writedown of assets, net. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus the prior period.

Forward-Looking Statements

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. These statements may be identified from the use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "expects," "targets," "is likely," "will," or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments.

It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives. Additionally, the actual impact of the U.S. Tax Cuts and Jobs Act on future performance and earnings projections may change based on subsequent judicial or regulatory interpretations of the Act that impact the company's tax calculations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global competitive market conditions, including global reactions to U.S. trade policies, and resulting effects on sales and pricing; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure and undertakes no obligation to update them unless otherwise required by law.

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CONSOLIDATED STATEMENT OF INCOME

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands except per share amounts)	2018	2017	2018	2017
Net sales	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Cost of sales	2,602,339	2,564,449	5,197,162	5,087,743
Selling, general and administrative expenses	397,259	408,338	791,581	805,322
Interest expense	47,518	53,133	91,857	106,688
Other (income) expense, net	(6,225)	(15,468)	(20,138)	1,048
Income before income taxes	431,154	360,221	890,877	734,523
Income taxes	119,241	303,899	203,065	392,666
Net income	311,913	56,322	687,812	341,857
Less: Noncontrolling interests	176	163	364	301
Net income attributable to common shareholders	\$ 311,737	\$ 56,159	\$ 687,448	\$ 341,556

Earnings per share attributable to common shareholders:

Basic earnings per share	\$ 2.39	\$ 0.42	\$ 5.23	\$ 2.57
Diluted earnings per share	\$ 2.36	\$ 0.41	\$ 5.15	\$ 2.51
Average shares outstanding during period - Basic	130,361,273	133,112,568	131,361,463	133,144,766
Average shares outstanding during period - Diluted	132,311,210	136,194,919	133,449,673	135,874,530

CASH DIVIDENDS PER COMMON SHARE

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Amounts in dollars)	2018	2017	2018	2017
Cash dividends per common share	\$ 0.76	\$ 0.66	\$ 1.52	\$ 1.32

RECONCILIATION OF EARNINGS PER DILUTED SHARE TO ADJUSTED EARNINGS PER DILUTED SHARE

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Amounts in dollars)	2018	2017	2018	2017
Earnings per diluted share	\$ 2.36	\$ 0.41	\$ 5.15	\$ 2.51
Adjustments:				
Business realignment charges	0.01	0.07	0.02	0.12
Clarcor costs to achieve	0.03	0.07	0.07	0.10
(Gain) loss on sale and writedown of assets, net	—	(0.05)	—	0.02
U.S. Tax Reform one-time impact, net	0.11	1.65	0.11	1.65
Adjusted earnings per diluted share	\$ 2.51	\$ 2.15	\$ 5.35	\$ 4.40

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net sales	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Earnings before income taxes	\$ 431,154	\$ 360,221	\$ 890,877	\$ 734,523
Depreciation and amortization	110,052	118,109	222,543	234,216
Interest expense	47,518	53,133	91,857	106,688
EBITDA	588,724	531,463	1,205,277	1,075,427
Adjustments:				
Business realignment charges	2,515	13,428	4,918	21,654
Clarcor costs to achieve	5,087	11,948	11,297	17,748
(Gain) loss on sale and writedown of assets, net	—	(8,453)	—	5,324
Adjusted EBITDA	\$ 596,326	\$ 548,386	\$ 1,221,492	\$ 1,120,153
EBITDA margin	17.0 %	15.8 %	17.3 %	16.0 %
Adjusted EBITDA margin	17.2 %	16.3 %	17.6 %	16.6 %

BUSINESS SEGMENT INFORMATION

(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Dollars in thousands)	2018	2017	2018	2017
Net sales				
Diversified Industrial:				
North America	\$ 1,632,059	\$ 1,565,416	\$ 3,313,103	\$ 3,160,107
International	1,223,679	1,255,569	2,457,445	2,494,343
Aerospace Systems	616,307	549,688	1,180,791	1,080,874
Total net sales	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Segment operating income				
Diversified Industrial:				
North America	\$ 257,774	\$ 225,807	\$ 532,885	\$ 481,834
International	189,085	164,806	395,179	356,597
Aerospace Systems	121,463	87,148	231,318	164,582
Total segment operating income	568,322	477,761	1,159,382	1,003,013
Corporate general and administrative expenses	63,890	46,942	114,215	88,292
Income before interest expense and other expense	504,432	430,819	1,045,167	914,721
Interest expense	47,518	53,133	91,857	106,688
Other expense	25,760	17,465	62,433	73,510
Income before income taxes	\$ 431,154	\$ 360,221	\$ 890,877	\$ 734,523

RECONCILIATION OF TOTAL SEGMENT OPERATING MARGIN TO ADJUSTED TOTAL SEGMENT OPERATING MARGIN

(Unaudited)	Three Months Ended		Three Months Ended	
(Dollars in thousands)	December 31, 2018		December 31, 2017	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 568,322	16.4%	\$ 477,761	14.2%
Adjustments:				
Business realignment charges	2,515		13,428	
Clarcor costs to achieve	4,867		11,948	
Adjusted total segment operating income	\$ 575,704	16.6%	\$ 503,137	14.9%
	Six Months Ended		Six Months Ended	
	December 31, 2018		December 31, 2017	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 1,159,382	16.7%	\$ 1,003,013	14.9%
Adjustments:				
Business realignment charges	4,918		21,654	
Clarcor costs to achieve	11,022		17,748	
Adjusted total segment operating income	\$ 1,175,322	16.9%	\$ 1,042,415	15.5%

CONSOLIDATED BALANCE SHEET

(Unaudited)	December 31,		June 30,		December 31,	
(Dollars in thousands)	2018		2018		2017	
Assets						
Current assets:						
Cash and cash equivalents	\$	1,047,385	\$	822,137	\$	1,024,770
Marketable securities and other investments		30,956		32,995		107,976
Trade accounts receivable, net		1,938,709		2,145,517		1,857,282
Non-trade and notes receivable		324,254		328,399		313,221
Inventories		1,804,564		1,621,304		1,780,262
Prepaid expenses and other		188,868		134,886		202,848
Total current assets		5,334,736		5,085,238		5,286,359
Plant and equipment, net		1,793,805		1,856,237		1,937,074
Deferred income taxes		98,779		57,623		36,668
Goodwill		5,462,555		5,504,420		5,698,707
Intangible assets, net		1,883,825		2,015,520		2,174,104
Other assets		733,987		801,049		832,269
Total assets	\$	15,307,687	\$	15,320,087	\$	15,965,181
Liabilities and equity						
Current liabilities:						
Notes payable	\$	1,144,347	\$	638,466	\$	1,248,212
Accounts payable		1,307,178		1,430,306		1,229,336
Accrued liabilities		874,792		929,833		896,750
Accrued domestic and foreign taxes		182,617		198,878		163,405
Total current liabilities		3,508,934		3,197,483		3,537,703
Long-term debt		4,303,331		4,318,559		4,798,371
Pensions and other postretirement benefits		937,938		1,177,605		1,363,466
Deferred income taxes		286,622		234,858		137,196
Other liabilities		449,696		526,089		609,235
Shareholders' equity		5,815,209		5,859,866		5,513,401
Noncontrolling interests		5,957		5,627		5,809
Total liabilities and equity	\$	15,307,687	\$	15,320,087	\$	15,965,181

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)	Six Months Ended December 31,			
(Dollars in thousands)	2018		2017	
Cash flows from operating activities:				
Net income	\$	687,812	\$	341,857
Depreciation and amortization		222,543		234,216
Stock incentive plan compensation		64,615		64,267
Loss on sale of businesses		623		—
Loss (gain) on plant and equipment and intangible assets		3,428		(26,529)
Loss (gain) on sale of marketable securities		5,701		(1)
(Gain) loss on investments		(3,213)		33,759
Net change in receivables, inventories and trade payables		(110,709)		(249,615)
Net change in other assets and liabilities		(379,687)		120,301
Other, net		49,927		(61,481)
Net cash provided by operating activities		541,040		456,774
Cash flows from investing activities:				
Acquisitions (net of cash of \$690 in 2018)		(2,042)		—
Capital expenditures		(94,426)		(144,781)
Proceeds from sale of plant and equipment		34,121		59,848
Proceeds from sale of businesses		19,540		—
Purchases of marketable securities and other investments		(2,845)		(78,309)
Maturities and sales of marketable securities and other investments		14,432		12,710
Other		(90)		8,706
Net cash (used in) investing activities		(31,310)		(141,826)
Cash flows from financing activities:				
Net payments for common stock activity		(565,335)		(134,360)
Net proceeds from debt		505,811		127,723
Dividends		(200,459)		(176,187)
Net cash (used in) financing activities		(259,983)		(182,824)
Effect of exchange rate changes on cash		(24,499)		7,760
Net increase in cash and cash equivalents		225,248		139,884
Cash and cash equivalents at beginning of period		822,137		884,886
Cash and cash equivalents at end of period	\$	1,047,385	\$	1,024,770

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO ADJUSTED CASH FLOW FROM OPERATIONS

(Unaudited)	Six Months Ended			Six Months Ended		
(Dollars in thousands)	December 31, 2018		Percent of sales	December 31, 2017		Percent of sales
As reported cash flow from operations	\$	541,040	7.8 %	\$	456,774	6.8 %
Discretionary pension contribution		200,000			—	
Adjusted cash flow from operations	\$	741,040	10.7 %	\$	456,774	6.8 %

RECONCILIATION OF FORECASTED EARNINGS PER DILUTED SHARE TO ADJUSTED FORECASTED EARNINGS PER DILUTED SHARE

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2019
Forecasted earnings per diluted share	\$11.04 - \$11.54
Adjustments:	
Business realignment charges	0.11
Clarcor costs to achieve	0.09
U.S. Tax Reform income tax expense adjustment	0.11
Adjusted forecasted earnings per diluted share	\$11.35 - \$11.85

Parker Hannifin Corporation

Exhibit 99.2

2nd Quarter Fiscal Year 2019
Earnings Release



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ENGINEERING YOUR SUCCESS.

January 31, 2019

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. These statements may be identified from the use of forward-looking terminology such as "anticipates," "believes," "may," "should," "could," "potential," "continues," "plans," "forecasts," "estimates," "projects," "predicts," "would," "intends," "anticipates," "expects," "targets," "is likely," "will," or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from current expectations, depending on economic conditions within its mobile, industrial and aerospace markets, and the company's ability to maintain and achieve anticipated benefits associated with announced realignment activities, strategic initiatives to improve operating margins, actions taken to combat the effects of the current economic environment, and growth, innovation and global diversification initiatives.

Additionally, the actual impact of the U.S. Tax Cuts and Jobs Act on future performance and earnings projections may change based on subsequent judicial or regulatory interpretations of the Act that impact the company's tax calculations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance. Among other factors which may affect future performance of the company are: changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments; disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix; ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of CLARCOR; the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures; the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities; ability to implement successfully capital allocation initiatives, including timing, price and execution of share repurchases; availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing; ability to manage costs related to insurance and employee retirement and health care benefits; compliance costs associated with environmental laws and regulations; potential labor disruptions; threats associated with and efforts to combat terrorism and cyber-security risks; uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals; global competitive market conditions, including global reactions to U.S. trade policies, and resulting effects on sales and pricing; and global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates and credit availability. The company makes these statements as of the date of this disclosure, and undertakes no obligation to update them unless otherwise required by law.

This presentation reconciles (a) sales amounts reported in accordance with U.S. GAAP to organic sales, which are sales amounts adjusted to remove the effects of divestitures and the effects of currency exchange rates, (b) cash flow from operating activities and cash flow from operating activities as a percent of sales in accordance with U.S. GAAP to cash flow from operating activities and cash flow from operating activities as a percent of sales without the effect of discretionary pension plan contributions, (c) as reported and forecast segment operating income and operating margins reported in accordance with U.S. GAAP to as reported and forecast segment operating income and operating margins without the effect of business realignment charges, CLARCOR Cost to Achieve, (d) as reported and forecast earnings per diluted share reported in accordance with U.S. GAAP to as reported and forecast earnings per diluted share without the effect of business realignment charges, CLARCOR costs to achieve, gain (loss) on sale and writedown of assets, net and U.S. Tax Reform one-time impact, net. This presentation also contains references to EBITDA and adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before business realignment charges, CLARCOR costs to achieve, and gain (loss) on sale and writedown of assets, net. Although EBITDA and Adjusted EBITDA are not measures of performance calculated in accordance with GAAP, we believe that it is useful to an investor in evaluating the results of this quarter versus one year ago. The effects of divestitures, currency exchange rates, discretionary pension plan contributions, business realignment charges, CLARCOR costs to achieve, gain (loss) on sale and writedown of assets, net and U.S. Tax Reform one-time impact, net are removed to allow investors and the company to meaningfully evaluate changes in sales, and cash flow from operating activities as a percent of sales, segment operating income, operating margins, Below the Line Items, Income Tax and earnings per diluted share on a comparable basis from period to period. Full year adjusted guidance removes business realignment charges, CLARCOR costs to achieve and tax expense related to U.S. Tax Reform.

Please visit www.PHstock.com for more information

Agenda

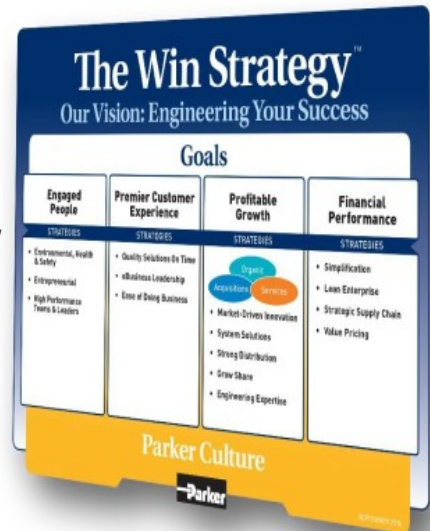
- Chairman & CEO Comments

- Results & Outlook

- Questions & Answers

Parker's Competitive Differentiators

- The Win Strategy™
- Decentralized business model
- Technology breadth & interconnectivity
- Engineered products with intellectual property
- Long product life cycles
- Balanced OEM vs. aftermarket
- Low capital investment requirements
- Great generators and deployers of cash over the cycle



Highlights of Quarter Results

Key Takeaways

- Safety - 23% Reduction in recordable incidents
- Strong quarter: reflects benefits of The Win Strategy™
- 2nd quarter records for sales, margins, net income and EPS
- Outstanding total segment margin performance of 16.4%, as reported

Strong Performance in Fiscal 2019 2nd Quarter

- Sales increased 3%, organic growth of 6%: currency headwinds
- Order rates moderating against tougher comps
- Adjusted total segment operating margins at 16.6%
- Operating cash to sales >10%, year to date
- Repurchased \$500 million in shares in Q2

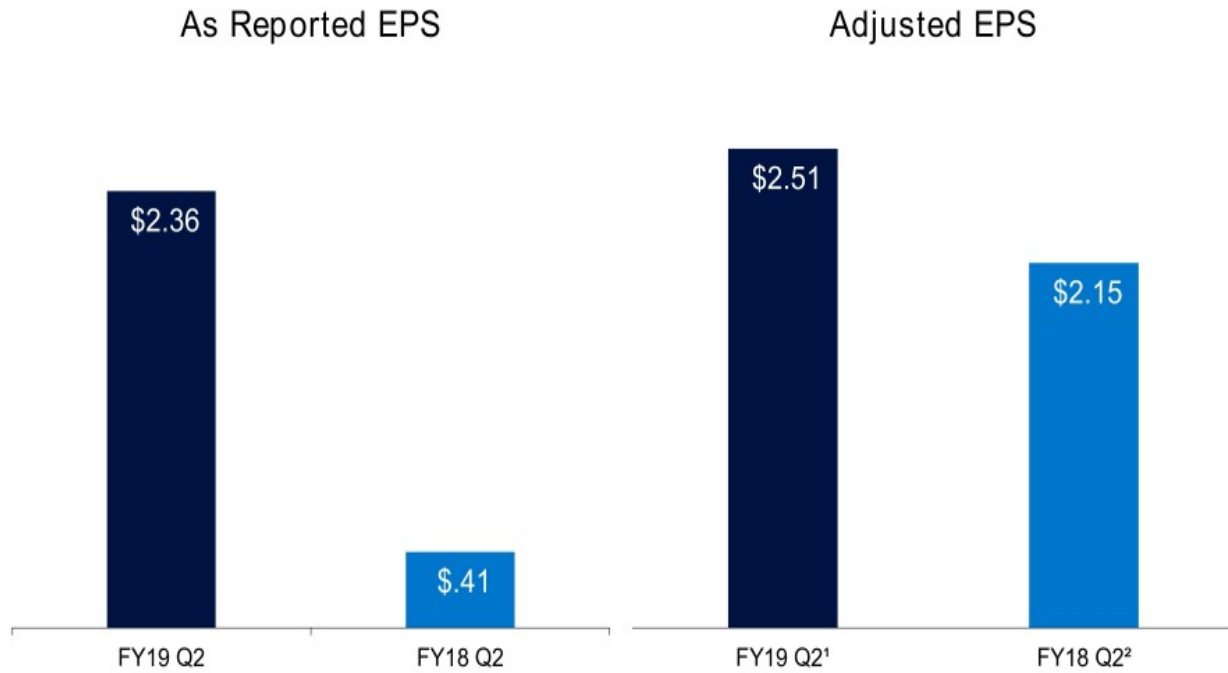
Going Forward

- Increasing earnings guidance for full year Fiscal 2019
- Continue driving the Win Strategy – many areas of opportunity
- Confidence in reaching our FY23 financial targets



Diluted Earnings Per Share

2nd Quarter FY2019

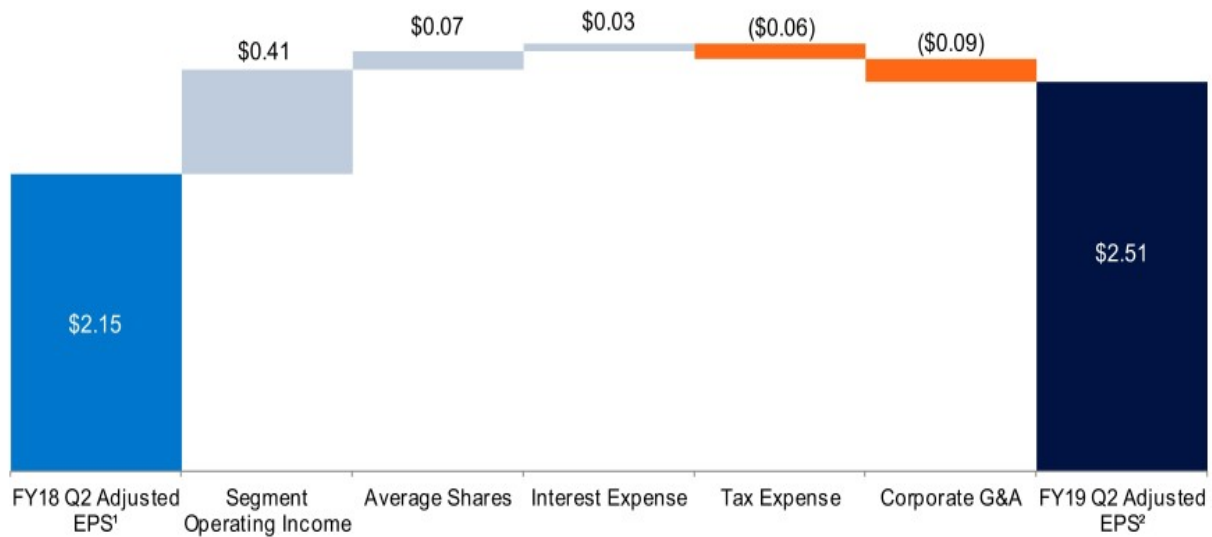


¹Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

²Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Gain on Sale and Writedown of Assets, net and U.S. Tax Reform one-time impact, net

Influences on Adjusted Earnings Per Share

2nd Quarter FY2019 vs. 2nd Quarter FY2018



¹Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

²Adjusted for Business Realignment Charges, Clarcor Costs to Achieve and Gain on Sale and Writedown of Assets, net and U.S. Tax Reform one-time impact, net

Sales & Segment Operating Margin

Total Parker

\$ in millions	2nd Quarter			
	FY2019	% Change	FY2018	
<u>Sales</u>				
As Reported	\$3,472	3.0 %	\$3,371	
Divestitures	(17)	(0.5)%		
Currency	(73)	(2.2)%		
Organic Sales	<u>\$3,562</u>	<u>5.7 %</u>		
	<u>FY2019</u>	<u>% of Sales</u>	<u>FY2018</u>	<u>% of Sales</u>
<u>Segment Operating Margin</u>				
As Reported	\$ 568	16.4 %	\$ 478	14.2 %
Business Realignment	3		13	
CLARCOR Costs to Achieve	5		12	
Adjusted	<u>\$ 576</u>	<u>16.6 %</u>	<u>\$ 503</u>	<u>14.9 %</u>

Sales & Segment Operating Margin

Diversified Industrial North America

\$ in millions	2nd Quarter				
		%			
	FY2019	Change	FY2018		
<u>Sales</u>					
As Reported	\$ 1,632	4.3 %	\$ 1,565		
Divestitures	(6)	(0.4)%			
Currency	(5)	(0.3)%			
Organic Sales	\$ 1,643	5.0 %			
	FY2019	% of Sales	FY2018	% of Sales	
<u>Segment Operating Margin</u>					
As Reported	\$ 258	15.8 %	\$ 226	14.4 %	
Business Realignment	1		2		
CLARCOR Costs to Achieve	3		9		
Adjusted	\$ 262	16.0 %	\$ 237	15.1 %	

Sales & Segment Operating Margin

Diversified Industrial International

\$ in millions	2nd Quarter		
	FY2019	% Change	FY2018
<u>Sales</u>			
As Reported	\$ 1,224	(2.5)%	\$ 1,256
Divestitures	(10)	(0.8)%	
Currency	(67)	(5.3)%	
Organic Sales	<u>\$ 1,301</u>	<u>3.6 %</u>	

	FY2019	% of Sales	FY2018	% of Sales
<u>Segment Operating Margin</u>				
As Reported	\$ 189	15.5 %	\$ 165	13.1 %
Business Realignment	2		11	
CLARCOR Costs to Achieve	2		3	
Adjusted	<u>\$ 193</u>	<u>15.7 %</u>	<u>\$ 178</u>	<u>14.2 %</u>

Sales & Segment Operating Margin

Aerospace Systems

\$ in millions	2nd Quarter			
	FY2019	% Change	FY2018	
Sales				
As Reported	\$ 616	12.1 %	\$ 550	
Currency	(1)	(0.1)%		
Organic Sales	\$ 617	12.2 %		
Segment Operating Margin				
As Reported	\$ 121	19.7 %	\$ 87	15.9 %
Business Realignment	-		1	
Adjusted	\$ 121	19.7 %	\$ 88	16.0 %

Order Rates

	<u>Dec 2018</u>	<u>Sep 2018</u>	<u>Dec 2017</u>	<u>Sep 2017</u>
Total Parker	+ 1 %	+ 5 %	+ 13 %	+ 11 %
Diversified Industrial North America	+ 0 %	+ 8 %	+ 15 %	+ 10 %
Diversified Industrial International	- 2 %	+ 3 %	+ 13 %	+ 15 %
Aerospace Systems	+ 10 %	+ 3 %	+ 8 %	+ 4 %

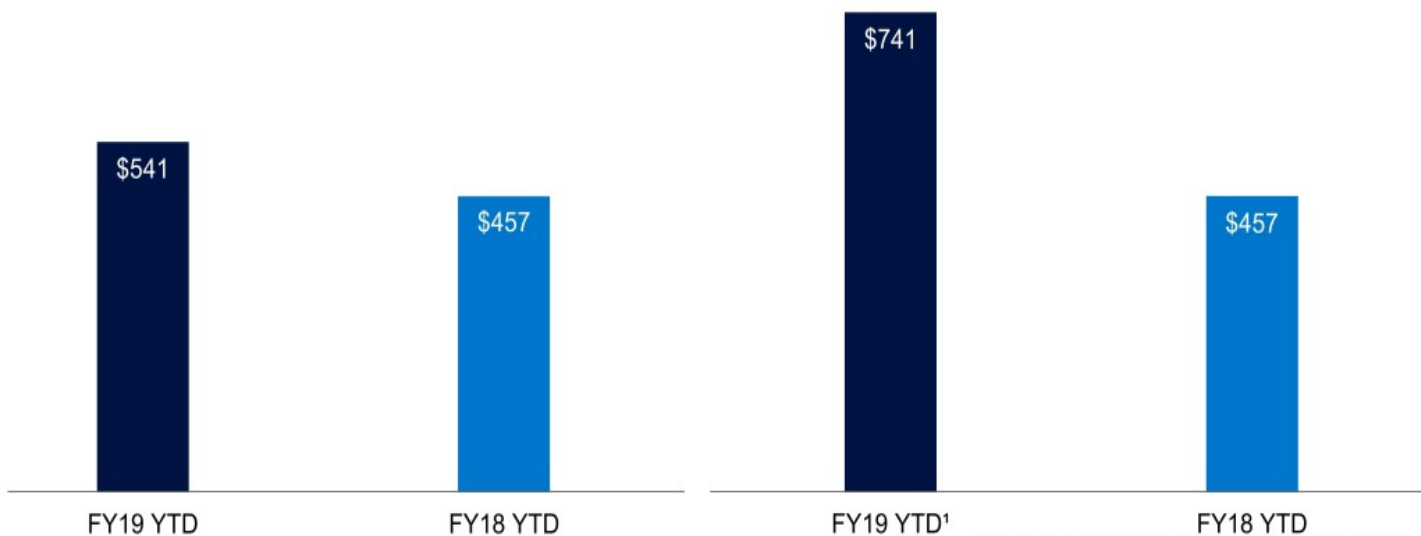
Excludes Acquisitions, Divestitures & Currency
 3-month year-over-year comparisons of total dollars, except Aerospace Systems
 Aerospace Systems is calculated using a 12-month rolling average

Cash Flow from Operating Activities

FY2019 YTD

As Reported Cash Flow

Adjusted Cash Flow



¹Adjusted for Discretionary Pension Plan Contribution

Year to Date

	FY 2019	% of Sales	FY 2018	% of Sales
As Reported Cash Flow From Operating Activities	\$ 541	7.8%	\$ 457	6.8%
Discretionary Pension Plan Contribution	\$ 200		\$ -	
Adjusted Cash Flow From Operating Activities	\$ 741	10.7%	\$ 457	6.8%

FY2019 Guidance

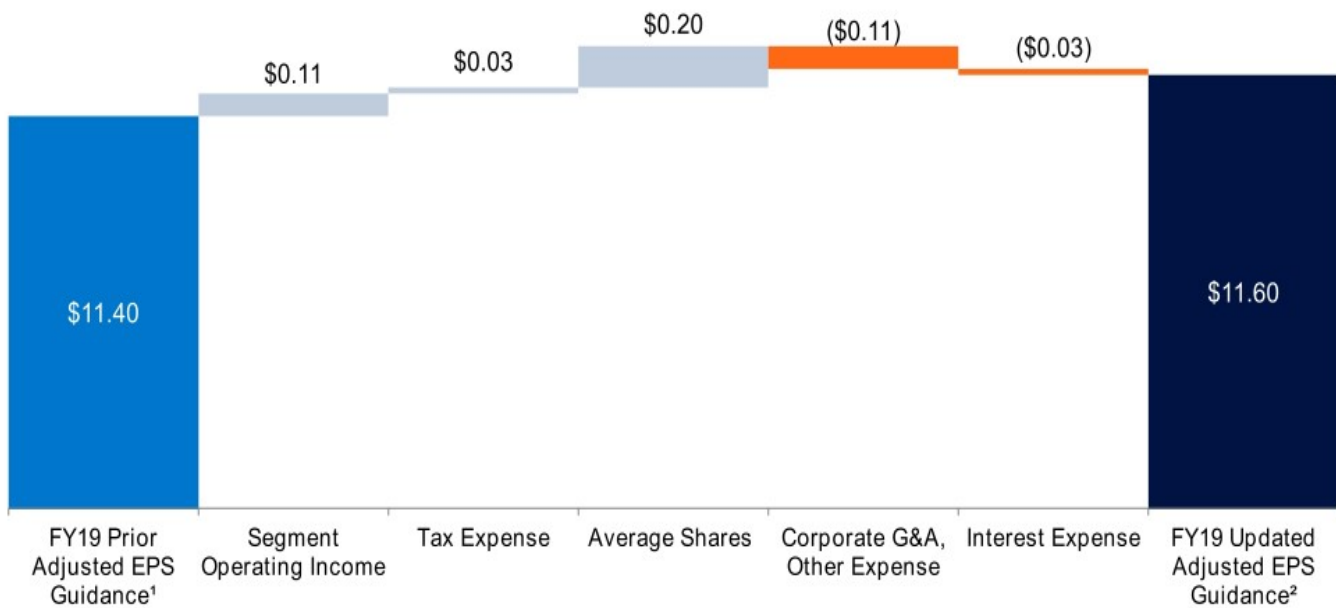
EPS Midpoint: \$11.29 As Reported, \$11.60 Adjusted

Sales Growth vs. Prior Year			
Diversified Industrial North America		1.4% - 3.9%	
Diversified Industrial International		(4.9)% - (2.5)%	
Aerospace Systems		4.5% - 6.6%	
Total Parker		(.4)% - 2.0%	
Segment Operating Margins		As Reported	Adjusted ¹
Diversified Industrial North America		16.6% - 17.2%	17.0% - 17.5%
Diversified Industrial International		15.7% - 16.1%	16.1% - 16.5%
Aerospace Systems		18.9% - 19.3%	19.0% - 19.3%
Total Parker		16.7% - 17.2%	17.0% - 17.4%
Below the Line Items		As Reported	
Corporate General & Administrative Expense, Interest and Other		\$ 497 M	
Tax Rate		As Reported	
Full Year		23%	
Shares			
Diluted Shares Outstanding		132.3 M	
Earnings Per Share		As Reported	Adjusted ¹
Range		\$11.04 - \$11.54	\$11.35 - \$11.85

¹Expected FY19 Adjusted Segment Operating Margins and Expected Adjusted Earnings Per Share exclude FY19 Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

FY2019 Guidance

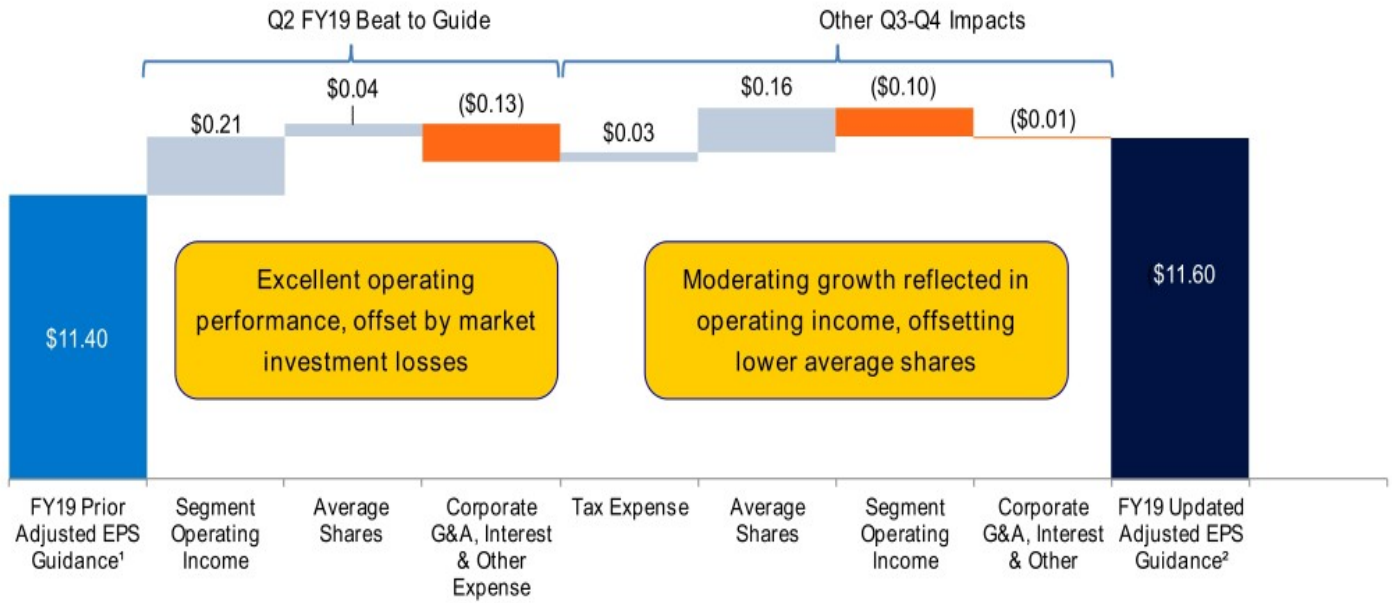
Reconciliation to Prior Guidance



¹Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve
²Adjusted for Expected Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform

FY2019 Guidance

Reconciliation of Q2 Beat and Updated Guidance



¹Adjusted for Expected Business Realignment Charges and Clarcor Costs to Achieve
²Adjusted for Expected Business Realignment Charges, Clarcor Costs to Achieve and Tax Expense related to US Tax Reform



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Appendix

- Consolidated Statement of Income
- Adjusted Amounts Reconciliation
- Reconciliation of EPS
- Business Segment Information
- Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin
- Reconciliation of EBITDA to Adjusted EBITDA
- Consolidated Balance Sheet
- Consolidated Statement of Cash Flows
- Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations
- Reconciliation of Forecasted EPS
- Supplemental Sales Information – Global Technology Platforms



Consolidated Statement of Income

(Unaudited) (Dollars in thousands, except per share amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net sales	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Cost of sales	2,602,339	2,564,449	5,197,162	5,087,743
Selling, general and administrative expenses	397,259	408,338	791,581	805,322
Interest expense	47,518	53,133	91,857	106,688
Other (income) expense, net	(6,225)	(15,468)	(20,138)	1,048
Income before income taxes	431,154	360,221	890,877	734,523
Income taxes	119,241	303,899	203,065	392,666
Net income	311,913	56,322	687,812	341,857
Less: Noncontrolling interests	176	163	364	301
Net income attributable to common shareholders	\$ 311,737	\$ 56,159	\$ 687,448	\$ 341,556
Earnings per share attributable to common shareholders:				
Basic earnings per share	\$ 2.39	\$.42	\$ 5.23	\$ 2.57
Diluted earnings per share	\$ 2.36	\$.41	\$ 5.15	\$ 2.51
Average shares outstanding during period - Basic	130,361,273	133,112,568	131,361,463	133,144,766
Average shares outstanding during period - Diluted	132,311,210	136,194,919	133,449,673	135,874,530
CASH DIVIDENDS PER COMMON SHARE				
(Unaudited)	Three Months Ended December 31,		Six Months Ended December 31,	
(Amounts in dollars)	2018	2017	2018	2017
Cash dividends per common share	\$.76	\$.66	\$ 1.52	\$ 1.32

Adjusted Amounts Reconciliation

SECOND QUARTER 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION
INCOME STATEMENT

	SECOND QUARTER FY 2019				Adjusted Dec-18
	As Reported Dec-18	Business Realignment Charges	Clarcor Costs to Achieve	Tax Expense Related to U.S. Tax Reform	
Net sales	\$ 3,472,045	\$ -	\$ -	\$ -	\$ 3,472,045
Cost of sales	2,602,339	868	2,801	-	2,598,670
Selling, general and administrative expenses	397,259	1,647	2,066	-	393,546
Interest expense	47,518	-	-	-	47,518
Other (income), net	(6,225)	-	220	-	(6,445)
Income before income taxes	431,154	(2,515)	(5,087)	-	438,756
Income taxes	119,241	599	1,211	(14,485)	106,566
Net income	311,913	(1,916)	(3,876)	(14,485)	332,190
Less: Noncontrolling interests	176	-	-	-	176
Net income attributable to common shareholders	\$ 311,737	\$ (1,916)	\$ (3,876)	\$ (14,485)	\$ 332,014
EPS attributable to common shareholders:					
Diluted earnings per share	\$ 2.36	\$ (0.01)	\$ (0.03)	\$ (0.11)	\$ 2.51

SECOND QUARTER FY 2019 U.S. GAAP TO ADJUSTED AMOUNTS RECONCILIATION
SEGMENTS

	SECOND QUARTER FY 2019			
	As Reported Dec-18	Business Realignment Charges	Clarcor Costs to Achieve	Adjusted Dec-18
Segment Operating Income				
Industrial:				
North America	\$ 257,774	\$ 526	\$ 3,293	\$ 261,593
International	189,085	1,989	1,574	192,648
Aerospace	121,463	-	-	121,463
Total segment operating income	568,322	(2,515)	(4,867)	575,704
Corporate administration	63,890	-	-	63,890
Income before interest expense and other	504,432	(2,515)	(4,867)	511,814
Interest expense	47,518	-	-	47,518
Other (income) expense	25,760	-	220	25,540
Income before income taxes	\$ 431,154	\$ (2,515)	\$ (5,087)	\$ 438,756

Reconciliation of EPS

(Unaudited) (Amounts in dollars)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Earnings per diluted share	\$ 2.36	\$.41	\$ 5.15	\$ 2.51
Adjustments:				
Business realignment charges	0.01	0.07	0.02	0.12
Clarcor costs to achieve	0.03	0.07	0.07	0.10
(Gain) loss on sale and writedown of assets, net	-	(0.05)	-	0.02
U.S. Tax Reform one-time impact, net	0.11	1.65	0.11	1.65
Adjusted earnings per diluted share	\$ 2.51	\$ 2.15	\$ 5.35	\$ 4.40

Business Segment Information

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net sales				
Diversified Industrial:				
North America	\$ 1,632,059	\$ 1,565,416	\$ 3,313,103	\$ 3,160,107
International	1,223,679	1,255,569	2,457,445	2,494,343
Aerospace Systems	616,307	549,688	1,180,791	1,080,874
Total	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Segment operating income				
Diversified Industrial:				
North America	\$ 257,774	\$ 225,807	\$ 532,885	\$ 481,834
International	189,085	164,806	395,179	356,597
Aerospace Systems	121,463	87,148	231,318	164,582
Total segment operating income	568,322	477,761	1,159,382	1,003,013
Corporate general and administrative expenses	63,890	46,942	114,215	88,292
Income before interest and other expense	504,432	430,819	1,045,167	914,721
Interest expense	47,518	53,133	91,857	106,688
Other expense	25,760	17,465	62,433	73,510
Income before income taxes	\$ 431,154	\$ 360,221	\$ 890,877	\$ 734,523

Reconciliation of Total Segment Operating Margin to Adjusted Total Segment Operating Margin

(Unaudited) (Dollars in thousands)	Three Months Ended December 31, 2018		Three Months Ended December 31, 2017	
	Operating income	Operating margin	Operating income	Operating margin
Total segment operating income	\$ 568,322	16.4%	\$ 477,761	14.2%
Adjustments:				
Business realignment charges	2,515		13,428	
Clarcor costs to achieve	4,867		11,948	
Adjusted total segment operating income	\$ 575,704	16.6%	\$ 503,137	14.9%

Reconciliation of EBITDA to Adjusted EBITDA

(Unaudited) (Dollars in thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Net sales	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324
Earnings before income taxes	\$ 431,154	\$ 360,221	\$ 890,877	\$ 734,523
Depreciation and amortization	110,052	118,109	222,543	234,216
Interest expense	47,518	53,133	91,857	106,688
EBITDA	588,724	531,463	1,205,277	1,075,427
Adjustments:				
Business realignment charges	2,515	13,428	4,918	21,654
Clarcor costs to achieve	5,087	11,948	11,297	17,748
(Gain) loss on sale and writedown of assets, net	-	(8,453)	-	5,324
Adjusted EBITDA	\$ 596,326	\$ 548,386	\$ 1,221,492	\$ 1,120,153
EBITDA margin	17.0%	15.8%	17.3%	16.0%
Adjusted EBITDA margin	17.2%	16.3%	17.6%	16.6%

Consolidated Balance Sheet

(Unaudited) (Dollars in thousands)	December 31, 2018	June 30, 2018	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,047,385	\$ 822,137	\$ 1,024,770
Marketable securities and other investments	30,956	32,995	107,976
Trade accounts receivable, net	1,938,709	2,145,517	1,857,282
Non-trade and notes receivable	324,254	328,399	313,221
Inventories	1,804,564	1,621,304	1,780,262
Prepaid expenses and other	188,868	134,886	202,848
Total current assets	5,334,736	5,085,238	5,286,359
Plant and equipment, net	1,793,805	1,856,237	1,937,074
Deferred income taxes	98,779	57,623	36,668
Goodwill	5,462,555	5,504,420	5,698,707
Intangible assets, net	1,883,825	2,015,520	2,174,104
Other assets	733,987	801,049	832,269
Total assets	\$ 15,307,687	\$ 15,320,087	\$ 15,965,181
Liabilities and equity			
Current liabilities:			
Notes payable	\$ 1,144,347	\$ 638,466	\$ 1,248,212
Accounts payable	1,307,178	1,430,306	1,229,336
Accrued liabilities	874,792	929,833	896,750
Accrued domestic and foreign taxes	182,617	198,878	163,405
Total current liabilities	3,508,934	3,197,483	3,537,703
Long-term debt	4,303,331	4,318,559	4,798,371
Pensions and other postretirement benefits	937,938	1,177,605	1,363,466
Deferred income taxes	286,622	234,858	137,196
Other liabilities	449,696	526,089	609,235
Shareholders' equity	5,815,209	5,859,866	5,513,401
Noncontrolling interests	5,957	5,627	5,809
Total liabilities and equity	\$ 15,307,687	\$ 15,320,087	\$ 15,965,181

Consolidated Statement of Cash Flows

(Unaudited) (Dollars in thousands)	Six Months Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 687,812	\$ 341,857
Depreciation and amortization	222,543	234,216
Stock incentive plan compensation	64,615	64,267
Loss on sale of businesses	623	-
Loss (gain) on plant and equipment and intangible assets	3,428	(26,529)
Loss (gain) on sale of marketable securities	5,701	(1)
(Gain) loss on investments	(3,213)	33,759
Net change in receivables, inventories, and trade payables	(110,709)	(249,615)
Net change in other assets and liabilities	(379,687)	120,301
Other, net	49,927	(61,481)
Net cash provided by operating activities	541,040	456,774
Cash flows from investing activities:		
Acquisitions (net of cash of \$690 in 2018)	(2,042)	-
Capital expenditures	(94,426)	(144,781)
Proceeds from sale of plant and equipment	34,121	59,848
Proceeds from sale of businesses	19,540	-
Purchases of marketable securities and other investments	(2,845)	(78,309)
Maturities and sales of marketable securities and other investments	14,432	12,710
Other	(90)	8,706
Net cash (used in) investing activities	(31,310)	(141,826)
Cash flows from financing activities:		
Net payments for common stock activity	(565,335)	(134,360)
Net proceeds from debt	505,811	127,723
Dividends	(200,459)	(176,187)
Net cash (used in) financing activities	(259,983)	(182,824)
Effect of exchange rate changes on cash	(24,499)	7,760
Net increase in cash and cash equivalents	225,248	139,884
Cash and cash equivalents at beginning of period	822,137	884,886
Cash and cash equivalents at end of period	\$ 1,047,385	\$ 1,024,770

Reconciliation of Cash Flow from Operations to Adjusted Cash Flow from Operations

(Unaudited)
(Dollars in thousands)

	Six Months Ended December 31, 2018		Six Months Ended December 31, 2017	
		Percent of sales		Percent of sales
As reported cash flow from operations	\$ 541,040	7.8%	\$ 456,774	6.8%
Discretionary pension contribution	200,000		-	
Adjusted cash flow from operations	\$ 741,040	10.7%	\$ 456,774	6.8%

Reconciliation of Forecasted EPS

(Unaudited)

(Amounts in dollars)

	Fiscal Year 2019 Prior Guide	Fiscal Year 2019 Revised Guide
Forecasted earnings per diluted share	\$10.90 - \$11.50	\$11.04 - \$11.54
Adjustments:		
Business realignment charges	0.13	0.11
Clarcor costs to achieve	0.07	0.09
U.S. Tax Reform income tax expense adjustment		0.11
<u>Adjusted forecasted earnings per diluted share</u>	<u>\$11.10 - \$11.70</u>	<u>\$11.35 - \$11.85</u>

Supplemental Sales Information

Global Technology Platforms

(Unaudited)

(Dollars in thousands)

	Three Months Ending		Six Months Ending	
	December 31,		December 31,	
	2018	2017	2018	2017
Net sales				
Diversified Industrial:				
Motion Systems	\$ 856,357	\$ 825,695	\$ 1,715,930	\$ 1,635,442
Flow and Process Control	1,015,200	997,837	2,076,264	1,993,184
Filtration and Engineered Materials	984,181	997,453	1,978,354	2,025,824
Aerospace Systems	616,307	549,688	1,180,791	1,080,874
Total	\$ 3,472,045	\$ 3,370,673	\$ 6,951,339	\$ 6,735,324

